السوق المالية السعودية
Saudi Stock Exchange

تداول
Tadawul

DERIVATIVES
MT30 Index Futures

Introduction

MT30 Index Futures is the first derivatives product Tadawul will offer. This product is a cash-settled index futures contract based on the MSCI Tadawul 30 index (MT30). The MT30 index provides investors with a benchmark of the largest and most liquid securities listed on the Saudi Stock Exchange (Tadawul)

Futures are standardized agreements, traded on an exchange, that stipulate the purchase of an asset at a certain price on a specific future date. The parties involved in the futures contract are obligated to complete the transaction. Futures contracts exist for many different asset classes such as single stocks, equity indices, commodities, currencies, bonds and others.
The launch of the Derivatives Market is a step forward in Tadawul's efforts to develop the capital market and broaden its product offering.

Our upgrade to Emerging Market status by MSCI and major Index providers of global equity indices, from its previous "Standalone Market" status, has brought significant benefits to the Kingdom's Capital Market. The launching of MT30 Index Futures contract with MSCI Tadawul 30 (MT30) index as the underlying, will provide investors with hedging tools and also offers another opportunity to trade and broaden exposure to the Saudi market.

This brochure provides additional information about MT30 Index Futures, as well as the contract specification.

Contract Specifications

MT30 Index Futures

Contract Code	SF30
Underlying Instrument	MT30 (MSCI Tadawul 30 Index)
Contract Size	SF30 multiplied by SAR 100
Minimum Price Fluctuation – Tick	0.5 points valued at SAR 50
Daily Price Limits	20%
Daily Margin/Premium Settlement	• All outstanding positions are Mark to Market based on daily settlement price at the end of the day T+0 • Variation margin has to be settled by the clearing members to Muqassa by next day (T+1) by a prescribed time as outlined in Muqassa Procedures

Contract Specifications

MT30 Index Futures

Daily Settlement Price	Daily settlement price of the futures contract shall be based on: 1. The VWAP (volume weighted average price) of last 10 minutes of the trading day, subject to a minimum of 10 trades in last 10 minutes 2. And if there are less than 10 trades in last 10 minutes then the Exchange shall use the Theoretical Futures Price (TFP)[1] to compute the fair value of the contract at the market close
Final Settlement	T+0[2]
Final Settlement Price	The Final Settlement Price shall be the average value, rounded to the nearest 0.5 of an index point (values of 0.25 or 0.75 and above being rounded upwards), taken at every 15 seconds or at such intervals as may be determined by the Exchange from time to time from 14:00 to 15:00 plus one value after 15:10:30 of the MT30 on the Final Trading Day excepting the 3 highest and 3 lowest values.
Speculative Position Limit	• Maximum number of net long or net short position to be held for all months combined 10,000 • Qualified hedgers can hold positions beyond 10,000 contracts subject to Exchange approval upon submission of relevant documents of owning the underlying assets
Price Decimals	2

1 For more details on TFP calculation please visit Tadawul website – Knowledge center
2 Mark to market (MTM) is T+0 and payment is T+1

Contract Specifications

MT30 Index Futures

<table>
<tr><td>Contract Months</td><td colspan="4">Current month, next month and the next two quarters</td></tr>
<tr><td>Negotiated Deals</td><td colspan="4">Yes</td></tr>
<tr><td>Market Making</td><td colspan="4">Yes</td></tr>
<tr><td>Trading Hours</td><td colspan="4">Pre-open (opening auction): 9:00 - 9:30
Market open: 9:30 – 15:30</td></tr>
<tr><td>Contract Expiration</td><td colspan="4">Third Thursday of the expiry month. If it is a holiday then expiry will move backward to the previous trading day</td></tr>
<tr><td rowspan="2">Margin Multiplier</td><td>Type of client</td><td>Institutions*</td><td>Tier 1 Individual**</td><td>Tier 2 Individual***</td></tr>
<tr><td>Margin Multiplier</td><td>100%</td><td>133%</td><td>200%</td></tr>
</table>

* **Institutions:** all institutional and corporate clients as well as Individual DPMs.
Individual DPMs: Saudi individual investment account in which the manager (Authorized Person) makes the buy/sell decisions for its client without referring to the account owner (based on to the agreed terms between them).
** **Tier 1 Individuals:** Individual Qualified Client is a natural person who fulfills any of the following criteria:
- Conducted transactions not less than SAR 40m, and not less than 10 transactions in each quarter during last 12 months.
- Have an average portfolio size of SAR 5m for the preceding 12 months
- Worked for at least 3 years in financial sectors in a job related to securities' investments.
- Hold General Securities Qualification Certificate which is recognized by the Authority.
- Holds professional certificate that is related to securities business and accredited by an internationally recognized entity

*** **Tier 2 Individual:** Clients who are not under any of the other categories defined in this document
Magin Multiplierl: Is the number by which the minimum percentage margin, required by the Muqassa, have to be multiplied to form the margin required by the clearing member from his clients for newly entered position.

Example of Trading Index Futures contracts

How to trade index futures

Trading in long position

Buys 1 MT30 Index Futures contract at 1,000

The notional value of the contract is SAR 100,000 (1,000* 100 contract multiplier)

The amount paid = SAR 10,000 (the trader will pay the initial margin which is the percentage of the contract value – 10% in this example)

Price of the contract went up to SAR 1,020

To close the long position (buy position) the trader will take a reverse position i.e. sell

Sell the MT30 Index Futures contract at 1,020

The notional value of the contract is SAR 102,000 (1,020 * contract multiplier)

The amount received = SAR 10,000 + SAR 2,000 (The trader receives the initial margin and the difference between buying and selling price)

The value of buying the contract = SAR 100,000

The amount paid = SAR 10,000

Profit = 102,000 – 100,000 = SAR 2,000

Return on capital = 2,000/10,000 = 20%

Trading in short position

Sells 1 MT30 Index Futures contract at 1,000

The notional value of the contract is SAR 100,000 (1,000* 100 contract multiplier)

The amount paid = SAR 10,000 (the trader will pay the initial margin which is the percentage of the contract value – 10% in this example)

Price of the contract went down to SAR 980

To close the short position (sell position) the trader will take a reverse position i.e. buy

Buy the MT30 Index Futures contract at 980

The notional value of the contract is SAR 98,000 (980 * 100 contract multiplier)

The amount received = SAR 10,000 + SAR 2,000 (The trader receives the initial margin and the difference between selling and buying

The value of selling the contract = SAR 100,000

The amount paid = SAR 10,000

Profit = 100,000 – 98,000 = SAR 2,000

Return on capital = 2,000/10,000 = 20%

2ND of August contract price is SAR 1,000

Profit/Loss

The minimum initial margin requirements is set by Muqassa and its varies depending on the type of customer
If the the price of the contract increases, the buyer will gain and seller will lose
If the price of the contract decreases, the buyer will lose and the seller will gain

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